

Message Text

LIMITED OFFICIAL USE

PAGE 01 NEW DE 05381 131134Z

13

ACTION EB-07

INFO OCT-01 NEA-10 IO-13 ISO-00 COME-00 STR-04 FEA-01

AGR-05 CEA-01 CIAE-00 DODE-00 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 OIC-02 /106 W

----- 045703

R 131019Z APR 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5251

INFO USDEL MTN GENEVA

LIMITED OFFICIAL USE NEW DELHI 5381

E.O. 11652: N/A

TAGS: ETRD, MTN, IN

SUBJECT: MTN TROPICAL PRODUCTS: REQUESTS FOR CONCESSIONS FROM
INDIA FOR APRIL 9 TROPICAL PRODUCT BILATERAL CONSULTATION

REF: STATE 085283

1. EMBASSY STRONGLY RECOMMENDS MTN DEL BE INSTRUCTED NOT TO
PUT FORWARD REQUEST OUTLINED REFTEL. REASONS FOR THIS
RECOMMENDATION ARE BOTH TACTICAL AND SUBSTANTIVE AS FOLLOWS:

2. AS NOTED IN NEW DELHI 5270, THE "CHANNELIZATION" ISSUE
WHICH HAS BEEN OF CONCERN TO CERTAIN US IMPORTERS APPEARS TO
BE ON THE WAY TO SETTLEMENT. THE PROPOSED ARRANGEMENT
MAINTAINS THE FACADE OF GOVERNMENT CHANNELIZATION OF MICA
EXPORTS, WHILE MEETING THE NEEDS OF US IMPORTERS. WITH A
FINAL DECISION ON THIS EXPECTED IN A FEW DAYS, IT WOULD BE
UNFORTUNATE TO ADD A NEW (AND POSSIBLY DELAYING) ELEMENT TO
THE PROBLEM IN THE FORM OF A USG REQUEST FOR A GATT CONCESSION.
IN OUR OPINION, GOI COULD NOT, AS MATTER OF PRINCIPLE, AGREE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NEW DE 05381 131134Z

TO BACK DOWN FROM PRINCIPLE OF CHANNELIZATION WHICH HAS

STRONG DOMESTIC POLITICAL ROOTS.

3. THERE ARE ALSO A NUMBER OF SUBSTANTIVE CONSIDERATIONS WHICH IN THIS EMBASSY'S OPINION ARGUE FOR NOT MAKING AN ACCESS GUARANTEE REQUEST. THE GOI HAS NEVER RESTRICTED ITS EXPORTS OF MICA AND, ON THE CONTRARY, IS MOST EAGER TO EXPAND SUCH EXPORTS. IT HAS ESTABLISHED MINIMUM EXPORT PRICE LEVELS, SOMETIMES AT UNREALISTIC RATES, BUT HAS ADJUSTED THEM AS REQUIRED TO MEET COMPETITIVE CONDITIONS. CONTRARY TO THE INFORMATION CONTAINED IN REFTEL, US IMPORTERS ORGANIZED IN THE MICA IMPORTERS ASSOCIATION (MIA) CLAIM NOT TO BE BURING FROM MITCO AND THEREFORE HAVE NEVER TESTED THE THESIS THAT MITCO COULD NOT OFFER ADEQUATE CONTROL OF QUALITY AND GRADES. WE ARE TOLD SOME US IMPORTERS ARE CONTINUING TO MAKE PURCHASES FROM MITCO AND INDIA (THROUGH MITCO) REMAINS THE PRINCIPAL SUPPLIER OF CERTAIN GRADES OF MICA TO THE US. THIS EMBASSY KNOWS OF NO CURRENT DIFFICULTIES US PURCHASING FIRMS ARE EXPERIENCING ON EITHER QUALITY OR GRADING.

4. THE PROBLEMS THAT HAVE ARISEN BETWEEN CERTAIN US MICA IMPORTERS ORGANIZED IN MIA AND THE GOI APPEAR TO RELATE MORE TO THE DESIRES OF THESE US COMPANIES TO MAINTAIN VARIOUS LONGSTANDING RELATIONSHIPS WHICH HAVE BEEN FAVORABLE TO BOTH SELLERS AND BUYERS (THE GOI TAKES THE POSITION THAT THESE ARRANGEMENTS HAVE NOT ONLY BEEN MUTUALLY ADVANTAGEOUS, BUT PROBABLY INVOLVED LARGE-SCALE EVASION OF INDIAN FOREIGN EXCHANGE REGULATIONS).

5. THE FUNDAMENTAL FACTORS THAT LED TO CHANNELIZATION OF MICA EXPORTS IN INDIA WERE POLITICAL PRESSURE FROM LARGE NUMBERS OF SMALL MINE OWNERS AND LABOR UNIONS WHO HAVE BEEN ADVERSELY AFFECTED BY DECLINING WORLD USE OF MICA AND, AS SEEN BY THE GOI, LARGE-SCALE EXPLOITATION OF THESE COMPANIES BY A SMALL NUMBER OF INDIAN TRADING HOUSES. THERE IS NO CHANCE WHATSOEVER THAT THE GOI WILL RETREAT FROM THE PRINCIPLE INVOLVED, I.E., "CHANNELIZATION", THOUGH IT WILL PROBABLY CONTINUE TO BE PRAGMATIC IN IMPLEMENTATION SIMPLY BECAUSE IT HAS NO OTHER ALTERNATIVE. TO POSE AN ACCESS GUARANTEE ISSUE IN THE MTN ON MICA IS TO PUT FORWARD A POORLY JUSTIFI-
ABLE AND DOCUMENTED CASE ON AN ISSUE OF CONSIDERABLE IMPOR-
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 NEW DE 05381 131134Z

TANCE TO THE GOI. MOREOVER, SINCE WE CANNOT SHOW ANY ECONOMIC EFFECT OF THE CRRENT REGULATIONS ON US IMPORTERS (A NUMBER OF US IMPORTERS ARE CURRENTLY IN NEW DELHI AND WERE PREPARED TO PURCHASE INDIAN MICA WHETHER OR NOT THE ITEM WAS CHANNELIZED), WE RUN THE RISK OF POSING AN ISSUE OF PRINCIPLE (MARKET ACCESS) FROM WHICH WE CANNOT GAIN AND WHICH COULD EASILY BOOMERANG.

6. LET'S AT A MINIMUM WAIT AND SEE WHAT THE GOI REGULATION
SPECIFIES.
SAXBE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TROPICAL PRODUCTS, TARIFF NEGOTIATIONS, AGRICULTURAL COMMODITIES, TARIFF CONCESSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976NEWDE05381
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760139-0659
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760467/aaaacfgl.tel
Line Count: 118
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 85283
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 10 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 MAY 2004 by woolflhd>; APPROVED <22 SEP 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MTN TROPICAL PRODUCTS: REQUESTS FOR CONCESSIONS FROM INDIA FOR APRIL 9 TROPICAL PRODUCT BILATERAL CONSULTATION
TAGS: ETRD, IN, MTN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006